

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSION REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: GRACE SEAMAN

DATE: APRIL 5, 2013

RE: 2012 IDAHO TELEPHONE SERVICE ASSISTANCE PROGRAM ANNUAL
REPORT; CASE NO. GNR-T-13-03.

BACKGROUND

Each year the Administrator of the Idaho Telecommunications Service Assistance Program (ITSAP) files a report detailing the activities and status of the program during the previous year. The Administrator also determines the funding requirement for the following year and submits a recommended budget with the annual report.

In 1987, the Idaho Legislature established the Idaho Telephone Service Assistance Program to provide income-eligible recipients with a reduction in costs of residential basic local exchange telephone service. The Idaho Department of Health and Welfare administers the program in conjunction with federal programs to maximize federal "lifeline" and "link up" contributions to Idaho's low-income customers. *Idaho Code* § 56-901(1). Funds for the program are raised through a uniform statewide monthly surcharge on end-user business, residential, and wireless access service lines as determined by the Idaho Public Utilities Commission. *Idaho Code* § 56-904(1). Idaho telephone companies provide assistance in the form of a monthly discount of \$3.50 to eligible subscribers. *Idaho Code* § 56-902. To be eligible for the ITSAP program, an applicant must be the head of a household and meet narrowly targeted eligibility criteria established by the Department of Health and Welfare. *Idaho Code* § 56-903.

THE 2012 ANNUAL REPORT

In the annual report filed on March 9, 2013, the ITSAP Administrator, Alyson Anderson, reported a drop in wireline access lines of 4%, an increase in wireless lines (13%), and a decrease

in the number of ITSAP recipients (7%). The gross revenue for the year was reported at \$1,456,062 of which \$450,371 (31%) was assessed on wireline services and \$1,005,691 (69%) was assessed on wireless services.

The average number of wireline access lines per month reported to the Administrator was 491,572 compared to 512,672 in 2011, and the average number of wireless access lines per month was 1,276,830 compared to 1,132,324 in 2011. Overall, there was an increase of approximately 123,406 in the total number of lines subject to the ITSAP surcharge (1,768,402 lines compared to 1,644,996 in 2011).

The average number of reported ITSAP recipients per month in 2012 (23,434) decreased by 7% from 2011 (25,310). Telecommunications companies received \$1,149,508 in disbursements for ITSAP credits paid to eligible recipients compared to \$1,103,137 in 2011. Disbursements for telephone company administrative costs were \$93,578, a slight increase from 2011 (\$90,416).

The Administrator's fees and expenses, including bank charges and fees for a 2011 audit, were \$17,097 for the year. The fund's cash balance at the end of the year was reported at \$543,467.

2013 BUDGET AND TRENDS

The ITSAP Administrator projects the funding requirements for 2013 will be approximately \$633,390. The ITSAP recipient reimbursement to the companies for 2013 is projected to be approximately \$543,690, and expenses are estimated to be \$89,700 for costs associated with administration of the program, including the Administrator's costs (\$9,700) and the Telecommunications Companies' administrative costs (\$80,000). The surcharge revenue received from wireline and wireless telephone companies, at the current rate of \$0.07 per line, is projected to be \$1,451,276.

To establish the 2013 budget, the Administrator estimates that the number of access lines subject to the surcharge will be approximately 1,727,710 per month and the average number of ITSAP recipients will be approximately 18,123 per month.¹ Based on this data, Ms. Anderson projects the funding requirement for 2013 will be reduced to approximately \$633,390.

¹ The number of ITSAP recipients dropped sharply in the second half of 2012 as a result of a database reconciliation and with all companies receiving ITSAP support.

ADMINISTRATOR'S 2013 FUNDING RECOMMENDATIONS

The Administrator presented various funding options that included maintaining the surcharge rate at \$0.07 and reducing the rate to \$0.05, \$0.04, and \$0.03. The projected end-of-year balances at the various rates were estimated to be \$1,361,358, \$946,708, \$739,383, and \$532,057, respectively.

Ms. Anderson states that the impact of the recent legislation² combined with the 2012 fund balance necessitates a reduction in the ITSAP surcharge rate. The Administrator notes that it is difficult to accurately predict the number of credit recipients as well as the number of access lines that will be assessed the surcharge, but based on the current data, she recommends that the surcharge rate be decreased from \$0.07 to \$0.03 with an effective date of June 1, 2013. At this rate, the program will maintain a comfortable fund balance for any unexpected occurrences.

STAFF ANALYSIS AND RECOMMENDATION

Staff has reviewed the 2012 annual report, the proposed 2013 budget, and the 2013 funding recommendation. Staff believes the 2013 budget is reasonable and agrees with the Administrator's recommendation to decrease the surcharge rate from \$0.07 to \$0.03 per access line with an effective date of June 1, 2013. Staff therefore, recommends that the Commission approve the Administrator's rate proposal and the 2013 budget.

COMMISSION DECISION

1. Does the Commission wish to accept the 2012 annual report and adopt the Administrator's 2013 budget?
2. Does the Commission wish to adopt the Administrator's recommendation to decrease the monthly ITSAP surcharge rate from \$0.07 to \$0.03 per access line with an effective date of June 1, 2013?



Grace Seaman

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² Senate Bill 1013 reduces the ITSAP subscriber credit from \$3.50 to \$2.50 per month and becomes effective on July 1, 2013.